



**Delaware Transportation Authority
Transportation Trust Fund**

**Financial Statements
and Independent Auditors' Report**

June 30, 2006 and 2005

Table of Contents

	Page
Independent Auditors' Report.....	1
Management's Discussion and Analysis	3
Financial Statements	
Balance Sheets	10
Statements of Revenues, Expenses, and Change in Net Assets	12
Statements of Cash Flows.....	14
Notes to Financial Statements.....	16
Required Supplementary Information	
Supplementary Information for Governments That Use the Modified Approach for Infrastructure Assets	41
Additional Information	
Balance Sheet in Accordance with Trust Agreement.....	44
Statement of Revenues, Expenses, and Change in Net Assets in Accordance with Trust Agreement	46
Statement of Cash Flows in Accordance with Trust Agreement	48
Schedule of Revenue Bonds Outstanding - June 30, 2006	51

Table of Contents (Continued)

	Page
Statements of Operating Revenues and Expenses - Expressways Operations/Toll Administration	52
Schedules of Expenditures Compared to Budget - Expressways Operations/Toll Administration	53
Schedule of Revenue Bond Coverage.....	54



KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report

To the Administrators
Delaware Transportation Authority
Transportation Trust Fund
Dover, Delaware

We have audited the accompanying balance sheet of the State of Delaware Transportation Trust Fund (TTF), a subsidiary of Delaware Transportation Authority, which is a component unit of the State of Delaware, as of the year ended June 30, 2006, and the related statements of revenue, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the TTF management. Our responsibility is to express an opinion on these financial statements based on our audit. The accompanying financial statements of the Transportation Trust Fund as of and for the year ended June 30, 2005 were audited by other auditors whose report thereon dated August 18, 2005 (except as to note X, as to which the date is August 31, 2006), expressed an unqualified opinion on those statements.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TTF's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluation the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the State of Delaware Transportation Trust Fund and do not purport to, and do not, present fairly the financial position of the State of Delaware, as of June 30, 2006, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the 2006 financial statements referred to above present fairly, in all material respects, the financial position of the State of Delaware Transportation Trust Fund as of June 30, 2006, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.



Management's discussion and analysis and required supplementary information for governments that use the modified approach for infrastructure assets on pages 3 through 9 and 41 and 42 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The additional information, as listed in the table of contents and presented on pages 44 through 54, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion or any other form of assurance on the additional information.

KPMG LLP

October 12, 2006

Delaware Transportation Authority Transportation Trust Fund

Management's Discussion and Analysis

This section of the Delaware Transportation Authority (the Authority), Transportation Trust Fund's (the Trust Fund) annual financial statements presents our discussion and analysis of the Trust Fund's financial performance during the fiscal year ended June 30, 2006.

Background

In 1987, to facilitate the Authority's development of a unified transportation system in the State of Delaware (the State) and to take advantage of the Authority's broad financing powers, the Trust Fund was created to consolidate and dedicate transportation-related revenue to transportation projects and to provide a flexible mechanism to handle the increasing funding requirements over time for all transportation projects in the State. The Trust Fund is the State's financing vehicle for transportation, operating, and capital expenditures. Funding for such expenditures is derived from bond proceeds, excess Trust Fund revenue, and cash balances.

The Trust Fund has pledged the following revenue to secure their outstanding bonds: Motor Fuel Taxes, Delaware Turnpike Tolls and Concessions, Motor Vehicle Document and Registration Fees, Miscellaneous Transportation Revenue, including operator license and titling fees, and investment earnings. Route 1 (SR-1) toll road revenue and certain miscellaneous revenues, including transfers from the State of Delaware General Fund, have not been pledged and, therefore, are not used to secure the Trust Fund's bonds.

Financial Highlights

- Motor fuel tax revenue was \$120.1 million, a 5.6% increase over fiscal year 2005.
- Due to the October 1 rate increase, Turnpike revenue was \$87.7 million, a 44.5% increase over fiscal year 2005.
- Toll revenues on SR-1 reached \$31.5 million, a 4.5% increase over fiscal year 2005, and traffic increased 5.8% to 37.3 million vehicles.
- Total Trust Fund operating revenues increased to \$365.2 million, a 10.4% increase over fiscal year 2005.
- The Authority went to the bond market in November 2005 and issued \$150 million of revenue bonds. \$40 million of the issue paid off the General Obligation Bond Anticipation Note to PNC.

**Delaware Transportation Authority
Transportation Trust Fund**

Management's Discussion and Analysis (Continued)

Overview of the Financial Statements

The financial section of this annual report consists of four parts: 1) management's discussion and analysis (this section), 2) the basic financial statements, 3) notes to the financial statements, and 4) other supplementary information.

The financial statements provide both long-term and short-term information about the Trust Fund's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

The Trust Fund's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the statements of revenues, expenses, and change in net assets.

Financial Analysis of the Trust Fund

Balance Sheets

The Trust Fund's total assets increased 3% to \$1,262.8 million, and total liabilities increased 3.7% to \$1,045.9 million. Net assets at June 30, 2006 were \$216.9 million, a .3% decrease from June 30, 2005.

Transportation Trust Fund's Net Assets
(in millions of dollars)

	<u>2006</u>	<u>2005</u>	Percentage Change <u>2006-2005</u>
Current assets	\$ 172.7	\$ 149.1	15.8
Capital assets	1,010.2	992.1	1.8
Other noncurrent assets	<u>79.9</u>	<u>84.4</u>	(5.3)
Total assets	<u>\$1,262.8</u>	<u>\$1,225.6</u>	3.0

**Delaware Transportation Authority
Transportation Trust Fund**

Management's Discussion and Analysis (Continued)

Transportation Trust Fund's Net Assets
(in millions of dollars)(Continued)

	<u>2006</u>	<u>2005</u>	<u>Percentage Change 2006-2005</u>
Current liabilities	\$ 114.9	\$ 166.0	(30.8)
Revenue bonds payable	891.9	803.3	11.0
Other noncurrent liabilities	<u>39.1</u>	<u>38.8</u>	.8
Total liabilities	<u>\$1,045.9</u>	<u>\$1,008.1</u>	3.7
Net assets			
Invested in capital assets, net of debt	\$ 32.0	\$ 55.8	(42.7)
Unrestricted	44.1	33.1	3.3
Restricted	<u>140.8</u>	<u>128.6</u>	9.5
Total net assets	<u>\$ 216.9</u>	<u>\$ 217.5</u>	(.3)

The increase in current assets is attributed to an increase in investments due to the issuance of new money bonds. The decrease in current liabilities is primarily due to the payment of the \$40 million general obligation bond anticipation note and a decrease in accounts payable. The decrease to the invested in capital assets, net of debt, is primarily attributed to the \$150 million bond issuance and the use of a portion of these proceeds to preserve, maintain, and finance non-toll road infrastructure.

Change in Net Assets

The decrease in net assets at June 30, 2006 was \$.6 million or .3% as compared to June 30, 2005. The Trust Fund's total operating revenues increased 10.4% to \$365.2 million, and total operating expenses increased 10.7% to \$426.4 million.

**Delaware Transportation Authority
Transportation Trust Fund**

Management's Discussion and Analysis (Continued)

Change in the Transportation Trust Fund's Net Assets
(in millions of dollars)

	<u>2006</u>	<u>2005</u>	<u>Percentage Change 2006-2005</u>
Operating revenues			
Toll revenues	\$119.2	\$ 90.9	31.1
Motor fuel tax	120.1	113.7	5.6
Motor vehicle document fee	64.9	65.7	(1.2)
Motor vehicle registration fee	30.2	30.2	-
Other motor vehicle revenue	20.3	20.3	-
International Fuel Tax Agreement	3.6	4.2	(14.3)
Miscellaneous revenue	<u>6.9</u>	<u>5.7</u>	21.1
Total operating revenues	<u>\$365.2</u>	<u>\$ 330.7</u>	10.4
Operating expenses			
Operating expenses	\$ 17.4	\$ 14.3	21.7
Claims and judgments	-	.2	-
Capital program	242.4	282.6	(14.2)
DelDOT operations	107.6	123.8	(13.1)
DTC operations	58.8	56.3	4.4
Depreciation	<u>.2</u>	<u>.2</u>	-
Total operating expenses	<u>\$426.4</u>	<u>\$ 477.4</u>	(10.7)
Operating income (loss)	\$ (61.2)	\$(146.7)	(58.3)
Nonoperating expenses	(27.6)	(31.8)	(13.2)
General Fund transfer	<u>88.2</u>	<u>67.4</u>	30.9
Change in net assets	(.6)	(111.1)	99.5
Total net assets - beginning of year	<u>217.5</u>	<u>328.6</u>	(33.8)
Total net assets - end of year	<u>\$ 216.9</u>	<u>\$ 217.5</u>	(.3)

**Delaware Transportation Authority
Transportation Trust Fund**

Management's Discussion and Analysis (Continued)

The \$28.3 million increase in toll revenue is attributable to the October 1 rate increase at I-95. The \$40.2 million decrease in capital program expenses in accordance with the Trust Agreement is due to reduced state capital spending and the \$16.2 million decrease in Delaware Department of Transportation operations is due to receiving \$14 million in General Fund support for maintenance and operations.

During fiscal year 2006, the following transfers from the State's General Fund (\$88.2 million) were received: \$72.9 million of General Fund support; \$2.5 million of Division of Revenue, Motor Vehicle Dealer/Lessor License and Document Fees; \$10 million annual escheat appropriation; and \$2.8 million for the Department of Motor Vehicles.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2006, the Trust Fund had invested \$1,012.7 million in capital assets, including roads, bridges, buildings, land, and equipment for Delaware's two toll roads. Net of accumulated depreciation, the Trust Fund's net capital assets at June 30, 2006 totaled \$1,010.2 million. This amount represents a net increase (including additions and disposals, net of depreciation) of \$18.1 million, primarily for the I-95 expansion project, a 1.8% increase over June 30, 2005.

The State is using the "Modified Approach" for determining condition assessments on their roads and bridges. The modified approach requires that the State initially set a percentage benchmark for maintaining their infrastructure in good or better condition and report at least every three years on their condition assessments.

It is the State's policy to maintain at least 75% of their highways and bridge systems at a good or better condition level as follows:

The condition of the road pavement is measured using the Overall Pavement Condition (OPC) system, which is based on the extent and severity of various pavement distresses that are visually observed. The OPC system uses a measurement scale that is based on a condition index ranging from 0 for poor pavement to 5 for pavement in excellent condition.

**Delaware Transportation Authority
Transportation Trust Fund**

Management's Discussion and Analysis (Continued)

The condition of the bridges is measured using the "Bridge Condition Rating" (BCR), which is based on the Federal Highway Administration's (FHWA) Coding Guide, "Recording and Coding Guide for the Structure Inventory and Appraisal of the Nation's Bridges." The BCR uses a measurement scale that is based on a condition index ranging from 0 to 4 for substandard bridges to 9 for bridges in perfect condition. For reporting purposes, substandard bridges are classified as those with a rating of 4 or less. The good or better condition bridges are taken as those with ratings of 6 to 9, with 5 being assessed a fair rating.

DelDOT performs condition assessments of eligible infrastructure assets at least every three years. Currently, road condition assessments are conducted every year and bridge condition assessments are conducted, for the most part, every two years.

At December 31, 2005, 89.6% of the Trust Fund's roadway condition assessments were in the good or better category, a 4.7% decrease over 2004; 90.5% of the bridge structures were in the good or better category, a 2.9% increase from 2004; and 95.3% of the bridge deck ratings were in the good or better category, a 1.1% decrease over 2004.

While the condition assessment for the toll roads included in the TTF financial statements have met the State's policy for condition, the other State roadways have not met the stated condition level. As a result, the State is completing an evaluation of the current condition, funding availability, and capacity of the resources to determine what changes need to be made to the policy. The updated policy, when completed, may also be applied to the toll roads included in the TTF capital assets.

Debt Administration

Transportation Systems Revenue Bonds are issued with the approval of the State and the State's Bond Issuing Officers (the Governor, the Secretary of Finance, the Secretary of State, and the State Treasurer) to finance improvements to the State's transportation systems. Approval by the General Assembly of the State is not required for the Authority to issue bonds to refund any of its bonds, provided that a present value debt service savings is achieved in such refunding. The sales must comply with the rules and regulations of the United States Treasury Department and the United States Securities and Exchange Commission.

At June 30, 2006, the Authority had \$953.3 million in revenue bonds outstanding, a 10.3% increase over June 30, 2005. During the past year, \$150 million of new money bonds were issued. Of the ten outstanding bond issues, all are rated AAA by S&P and Aaa by Moody's.

**Delaware Transportation Authority
Transportation Trust Fund**

Management's Discussion and Analysis (Continued)

Next Year's Budget

The Department's fiscal year 2007 Operating Annual Budget adopted by the General Assembly in June 2006 totals \$338.9 million and the fiscal year 2007 Capital Improvements Act totals \$176.3 million in State authorized funds. The Capital Improvements Act authorizes funding of the following improvements: \$111.1 million of Road System, \$23.2 million of Grants and Allocations, \$5 million of Transit System, and \$37 million for Support System. The Capital Improvement Act authorizes an additional \$337.4 million in federal funding. The spending of these capital authorizations will occur over several years. The capital spending forecast for fiscal year 2007 is \$549.8 million, inclusive of \$286.9 and \$262.9 million in state and federal funding, respectively. This year's authorizations include a \$60 million dollar transfer from the Office of Management and Budget (OMB) to support DelDOT business of which \$10 million constitutes a payment on behalf of the Diamond State Port Corporation for the loan agreement dated November 30, 2001.

Contacting the Trust Fund's Financial Management

This financial report is designed to provide bondholders, patrons, and other interested parties with a general overview of the Trust Fund's finances and to demonstrate the Trust Fund's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Delaware Department of Transportation, Finance Unit, P.O. Box 778, Dover, DE 19903.

**Delaware Transportation Authority
Transportation Trust Fund**

Balance Sheets

June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u> <u>(Restated)</u>
CURRENT ASSETS		
Cash and cash equivalents		
Unrestricted	\$ 2,399,463	\$ 2,400,920
Restricted	41,596	101,950
Investments - at fair value		
Unrestricted	69,527,635	58,404,512
Restricted	95,785,922	84,444,620
Accrued interest receivable	1,294,930	800,000
Accounts receivable	2,542,694	1,871,266
Loan receivable	<u>1,152,692</u>	<u>1,108,910</u>
Total current assets	172,744,932	149,132,178
NONCURRENT ASSETS		
Capital assets		
Infrastructure and land	1,004,847,647	986,604,489
Buildings and land improvements	<u>7,847,309</u>	<u>7,847,309</u>
	1,012,694,956	994,451,798
Less: accumulated depreciation	<u>2,533,654</u>	<u>2,341,609</u>
Capital assets	1,010,161,302	992,110,189
Investments - at fair value		
Unrestricted	666,094	6,225,331
Restricted	44,495,196	43,022,091
Accrued interest receivable	697,673	591,895
Loans receivable	<u>34,071,992</u>	<u>34,554,461</u>
Total noncurrent assets	<u>1,090,092,257</u>	<u>1,076,503,967</u>
 TOTAL ASSETS	 <u><u>\$ 1,262,837,189</u></u>	 <u><u>\$ 1,225,636,145</u></u>

See notes to financial statements.

**Delaware Transportation Authority
Transportation Trust Fund**

Balance Sheets

June 30, 2006 and 2005

	<u>2006</u>	2005 (Restated)
CURRENT LIABILITIES		
Accounts payable	\$ 16,746,342	\$ 32,376,095
Accrued payroll payable	254,953	261,044
Compensated absences payable	61,033	100,409
Deferred revenue	5,040,226	6,366,419
Note payable	-	40,000,000
General obligation bonds payable	812,259	582,693
Revenue bonds payable	61,370,000	58,445,000
Bond issue premium	6,814,934	6,713,456
Interest payable	<u>23,828,878</u>	<u>21,176,509</u>
Total current liabilities	114,928,625	166,021,625
NONCURRENT LIABILITIES		
Compensated absences	334,788	197,552
Claims and judgments	11,230,769	11,325,229
General obligation bonds payable	3,435,812	4,248,071
Revenue bonds payable	891,895,000	803,265,000
Bond issue premium - net of accumulated amortization	<u>24,079,921</u>	<u>23,069,069</u>
Total noncurrent liabilities	<u>930,976,290</u>	<u>842,104,921</u>
Total liabilities	1,045,904,915	1,008,126,546
NET ASSETS		
Invested in capital assets - net of related debt	32,033,115	55,786,900
Unrestricted	44,063,523	33,106,704
Restricted	<u>140,835,636</u>	<u>128,615,995</u>
Total net assets	<u>216,932,274</u>	<u>217,509,599</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,262,837,189</u></u>	<u><u>\$ 1,225,636,145</u></u>

**Delaware Transportation Authority
Transportation Trust Fund**

**Statements of Revenues, Expenses, and
Change in Net Assets**

For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u> <u>(Restated)</u>
OPERATING REVENUES		
Pledged revenue		
Turnpike revenue	\$ 87,696,331	\$ 60,703,200
Motor fuel tax revenue	120,090,448	113,663,312
Motor vehicle document fee revenue	64,842,559	65,700,234
Motor vehicle registration fee revenue	30,238,168	30,188,939
Other motor vehicle revenue	20,334,439	20,290,958
International Fuel Tax Agreement revenue	<u>3,624,314</u>	<u>4,253,888</u>
Total pledged revenue	326,826,259	294,800,531
Toll revenue - Delaware SR-1	31,524,365	30,161,375
Property management revenue	427,159	173,854
E-ZPass expense reimbursements	366,419	2,665,572
Railway tolls	1,502,375	1,134,881
Miscellaneous revenue	<u>4,530,608</u>	<u>1,721,728</u>
Total operating revenues	365,177,185	330,657,941
OPERATING EXPENSES		
Expressways Operations/Toll Administration and interstate operating expenses	17,440,223	14,255,321
Claims and judgments	-	241,297
Expenses in accordance with Trust Agreement		
Capital improvements to transportation system	242,412,450	282,597,408
Delaware Department of Transportation operations	107,560,265	123,843,057
Delaware Transit Corporation operations	58,833,371	56,297,116
Depreciation	<u>192,045</u>	<u>192,045</u>
Total operating expenses	<u>426,438,354</u>	<u>477,426,244</u>
OPERATING LOSS	(61,261,169)	(146,768,303)

Continued...

**Delaware Transportation Authority
Transportation Trust Fund**

**Statements of Revenues, Expenses, and
Change in Net Assets (Continued)**

For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u> <u>(Restated)</u>
NONOPERATING REVENUES (EXPENSES)		
Pledged revenue - income from investments (net of fees)	\$ 10,523,310	\$ 6,019,636
Net increase (decrease) in the fair value of investments	(954,254)	156,843
Interest income	223,866	-
Interest expense	<u>(37,346,668)</u>	<u>(37,958,755)</u>
Excess of nonoperating expenses over revenues	<u>(27,553,746)</u>	<u>(31,782,276)</u>
LOSS BEFORE TRANSFER FROM STATE GENERAL FUND	(88,814,915)	(178,550,579)
TRANSFER FROM STATE GENERAL FUND	<u>88,237,590</u>	<u>67,415,489</u>
CHANGE IN NET ASSETS	<u>(577,325)</u>	<u>(111,135,090)</u>
TOTAL NET ASSETS - BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	217,509,599	357,500,992
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>(28,856,303)</u>
TOTAL NET ASSETS - BEGINNING OF YEAR, AS RESTATED	<u>217,509,599</u>	<u>328,644,689</u>
TOTAL NET ASSETS - END OF YEAR	<u><u>\$ 216,932,274</u></u>	<u><u>\$ 217,509,599</u></u>

See notes to financial statements.

**Delaware Transportation Authority
Transportation Trust Fund**

Statements of Cash Flows

For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u> <u>(Restated)</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 363,085,104	\$ 327,399,923
Payments to employees	(6,894,415)	(6,458,952)
Payments to suppliers	<u>(434,889,878)</u>	<u>(470,840,473)</u>
Net cash flows used in operating activities	(78,699,189)	(149,899,502)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY		
Transfers from State General Fund	<u>88,237,590</u>	<u>67,415,489</u>
Net cash flows provided by noncapital financing activity	88,237,590	67,415,489
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments of revenue bond principal	(58,445,000)	(53,920,000)
Payment to escrow agent for refunding of revenue bonds	-	(67,425,000)
Proceeds from revenue bond sale	150,000,000	167,550,000
Payments of general obligation bond principal	(582,693)	(351,964)
Proceeds from issuance of note	-	40,000,000
Payment of note principal	(40,000,000)	-
Repayment from Delaware Department of Transportation	678,419	879,247
Premium from revenue bond sale	8,417,842	9,223,338
Acquisition of capital assets	(18,243,158)	(8,120,242)
Payments of interest	<u>(41,999,811)</u>	<u>(45,843,499)</u>
Net cash flows provided by (used in) capital and related financing activities	(174,401)	41,991,880
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,640,027	41,192,327
Repayment on loan receivable	1,108,909	-
Purchase of investments	(20,972,574)	(4,844,885)
Interest received	<u>8,797,827</u>	<u>4,897,112</u>
Net cash flows provided by (used in) investing activities	<u>(9,425,811)</u>	<u>41,244,554</u>

Continued...

**Delaware Transportation Authority
Transportation Trust Fund**

Statements of Cash Flows (Continued)

For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u> <u>(Restated)</u>
Net increase (decrease) in cash and cash equivalents	\$ (61,811)	\$ 752,421
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,502,870</u>	<u>1,750,449</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 2,441,059</u></u>	<u><u>\$ 2,502,870</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Net operating loss	\$ (61,261,169)	\$ (146,768,303)
Adjustments to reconcile net operating loss to net cash used in operating activities		
Depreciation	192,045	192,045
Changes in assets and liabilities		
Increase in accounts receivable	(671,428)	(592,446)
Decrease in accounts payable	(15,629,753)	(359,901)
Increase in accrued payroll and related expenses	91,769	53,378
Decrease in deferred revenue	(1,326,193)	(2,665,572)
Increase (decrease) in other accrued expenses	<u>(94,460)</u>	<u>241,297</u>
Net cash used in operating activities	<u><u>\$ (78,699,189)</u></u>	<u><u>\$ (149,899,502)</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest capitalized on Diamond State Port Corporation loan	<u><u>\$ 1,348,641</u></u>	<u><u>\$ 1,911,372</u></u>
Loan receivable from CSX settlement agreement	<u><u>\$ -</u></u>	<u><u>\$ 6,000,000</u></u>

See notes to financial statements.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements

Note A - Organization and Trust Agreements

1. Organization

The Delaware Transportation Authority (the Authority) is a body corporate and politic constituting an instrumentality of the State of Delaware (the State). The Department of Transportation (the Department) has overall responsibility for coordinating and developing comprehensive, balanced transportation planning and policy for the State. The Authority assists in the implementation of this policy and has the power to develop a unified system of air, water, vehicular, and specialized transportation in the State, subject to oversight by the Department and the State.

To assist the Authority in financing a unified transportation system, the State created a Transportation Trust Fund (the Trust Fund), within the Authority, under the Transportation Trust Fund Act of 1987 (the TTF Act). The underlying purpose of the TTF Act and the Trust Fund is to address the growing urgency to provide additional means to finance the maintenance and development of the integrated highway, air, and water transportation system in the State for the economic benefit of the State and for the welfare and safety of the users of the transportation system. The primary funding of the Trust Fund comes from motor fuel taxes, motor vehicle document fees, motor vehicle registration fees, and other transportation related fees, which are imposed and collected by the State and transferred to the Trust Fund. The State has irrevocably pledged, assigned, and continuously appropriated to the Trust Fund these taxes and fees. The other major sources of revenue for the Trust Fund are the Delaware Turnpike and the Delaware SR-1 Toll Roads, both of which the Authority owns and operates. The Authority may apply Trust Fund revenue for transportation projects, subject to the approval of the State, and may pledge any or all of this revenue to secure financing for these projects.

The TTF Act also granted the Authority the power to issue bonds payable from and secured by the revenues pledged and assigned to the Trust Fund.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note A - Organization and Trust Agreements (Continued)

2. Trust Agreements

The Trust Agreements in effect at June 30, 2006 and 2005 are the Motor Fuel Tax Revenue Bond Trust Agreement (the Motor Fuel Tax Agreement), dated September 1, 1981, as supplemented, and the Transportation Trust Fund Agreement (the Trust Agreement), dated August 1, 1988, as supplemented.

The Trust Agreement is a bond indenture, intended to ensure payment to bond holders through assets and revenues pledged to the Trust Fund. Pledged revenues fund certain accounts created under Section 4.02 of the Trust Agreement and, to the extent those revenues are not needed for that purpose, they are deposited, lien-free, to the Trust Fund. Surplus pledged revenues and nonpledged revenues of the Trust Fund may be used to fund the operations of the Department.

The provisions of the Motor Fuel Tax Agreement and the Trust Agreement govern the disposition of revenues and other income and prescribe certain accounting practices, including the conditions for transfer of monies among the various funds and accounts held by the Authority or the Trustee and the use of such funds.

Note B - Summary of Significant Accounting Policies

1. Basis of Accounting

The Authority operates as an enterprise fund. The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

2. Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits, short-term money market securities, and other deposits held by financial institutions, generally with original maturities of three months or less.

3. Allowance for Doubtful Accounts

Accounts receivable are expected to be fully collectible at June 30, 2006 and 2005, and accordingly, a provision for uncollectible accounts has not been established.

4. Investments

Investments are recorded at their fair value. Investments at June 30, 2006 and 2005 consisted of United States Government Obligations and Commercial Paper classified as "Qualified Investments" by the Trust Agreement.

5. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

6. Financial Accounting Standards Board (FASB) Pronouncements

The Authority has elected not to apply FASB pronouncements issued after November 30, 1989.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

7. Capital Assets

Capital assets, which include buildings, land, land improvements, and infrastructure assets (such as roads and bridges, which are normally immovable and of value only to the State), are reported in the enterprise fund financial statements.

It is the policy of the State to capitalize land and buildings, regardless of cost, to capitalize improvements to land and buildings when the costs of projects exceed \$100,000, and to capitalize infrastructure when the costs of individual items or projects exceed \$1 million. The Trust Fund follows the State's policy with the exception of improvements to land and buildings, which are capitalized, regardless of cost.

Such assets are recorded at historical cost or estimated historical cost, if original cost is not determinable. Donated capital assets are recorded at estimated fair market value at the time of the donation. Buildings and land improvements are depreciated on a straight-line basis.

For assets not part of infrastructure, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

For infrastructure, the State uses the "modified approach" to account for roads and bridges, as provided by Governmental Accounting Standards Board (GASB) Statement No. 34. Under this process, the Authority does not record depreciation expense or the amounts expended in connection with improvements to these assets capitalized, unless the improvements expand the capacity or efficiency of an asset. Utilization of this approach requires the Authority to: 1) commit to maintaining and preserving affected assets at or above a condition level established by the Department, 2) maintain an inventory of the assets and perform periodic condition assessments to ensure that the condition level is being maintained, and 3) make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

7. Capital Assets (Continued)

The Authority maintains two asset management systems, one for the roads and one for the bridges. In addition, the Authority completes condition assessments on its roads every year and on its bridges at least every two years.

Buildings and land improvements are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Land improvements	15

8. Compensated Absences

Compensated absences are absences for which Expressways Operations/Toll Administration employees will be paid, such as vacation and sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Expressways Operations/Toll Administration and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Expressways Operations/Toll Administration and its employees are accounted for in the period in which such services are rendered or such events take place.

9. Bond Issue Premium

Amortization of bond issue premiums/discounts is provided using the effective interest method over the life of the bond issue. Amortization taken in 2006 and 2005 was \$7,305,512 and \$7,418,587, respectively.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

10. Revenues and Expenses

The Authority defines nonoperating revenues as investment and interest income. All other revenues are derived from normal operations of the Authority. Nonoperating expenses are defined as interest expense. All other expenses are a result of normal operations.

Note C - Cash and Investments

Cash Management Policy and Investment Guidelines

The policy for the investment of Authority funds is the responsibility of the Cash Management Policy Board (the Board). The Board, created by State law, establishes policies for, and the terms, conditions, and other matters relating to, the investment of all money belonging to the Authority. Under the Board's *Statement of Objectives and Guidelines for the Investment of State of Delaware Funds* (the Policy), all deposits and investments of the Authority are categorized as "Authority Accounts." Investments of the Authority are further restricted to "Qualified Investments" as defined in the Trust Agreement.

As defined by the Policy, the investment objectives of Authority Accounts include maximizing yield and maintaining the safety of principal. At June 30, 2006 and 2005, investments of the Authority are primarily in U.S. Government Securities, U.S. Government Agency Securities, and Commercial Paper rated in the highest rating category by either Moody's or Standard & Poor's. All of these meet the objectives defined by the Policy and are Qualified Investments in accordance with the Trust Agreement.

The Policy is available on the Internet at www.state.de.us/treasure.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note C - Cash and Investments (Continued)

Custodial Credit Risk

1. Deposits

The carrying amounts of the Authority's deposits at June 30, 2006 and 2005 were \$2,441,059 and \$2,502,870, respectively, and the bank balances were \$1,132,111 and \$1,935,611, respectively. The differences between bank balances and carrying amounts resulted from outstanding checks and deposits in transit. The entire bank balances at June 30, 2006 and 2005 of \$1,132,111 and \$1,935,611, respectively, were covered by federal depository insurance for \$100,000 or by collateral held by the Authority's Trustee, in the Authority's name, for the remainder, in accordance with the Policy and the Trust Agreement.

2. Investments

Investments of the Authority are stated at fair value, which approximates cost. At June 30, 2006 and 2005, all of the Authority's investments were insured or registered, with securities held by the Authority or its agent in the Authority's name.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the value of an investment. The Policy provides that maximum maturity for investments in Authority accounts, at the time of purchase, shall not exceed ten years, except when it is prudent to match a specific investment instrument with a known specific future liability, in which case the maturity limitation shall match the maturity of the corresponding liability.

The following tables present a listing of directly held investments and related maturities.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note C - Cash and Investments (Continued)

Interest Rate Risk (Continued)

<u>June 30, 2006</u>				
<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>
U.S. Government Securities	\$ 5,835,150	\$ 1,279,266	\$ 4,555,884	\$ -
U.S. Government Agency Securities	146,110,004	105,504,598	40,605,406	-
Commercial Paper	<u>58,529,693</u>	<u>58,529,693</u>	<u>-</u>	<u>-</u>
	<u>\$210,474,847</u>	<u>\$165,313,557</u>	<u>\$45,161,290</u>	<u>\$ -</u>
 <u>June 30, 2005</u>				
<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>
U.S. Government Securities	\$ 5,902,563	\$ 355,345	\$ 5,547,218	\$ -
U.S. Government Agency Securities	137,059,208	93,359,004	42,739,960	960,244
Commercial Paper	<u>49,134,783</u>	<u>49,134,783</u>	<u>-</u>	<u>-</u>
	<u>\$192,096,554</u>	<u>\$142,849,132</u>	<u>\$48,287,178</u>	<u>\$960,244</u>

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority follows the Policy and the Trust Agreement by investing only in authorized securities. The Authority's general investment policy for credit risk is to apply the prudent-person rule. Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments.

In addition, the Trust Agreement limits investments in commercial paper to those with a Moody's rating of P-1 or a Standard & Poor's rating of A-1 for short-term investments. The Trust had investments in Commercial Paper of

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note C - Cash and Investments (Continued)

Credit Risk (Continued)

\$58,529,693 and \$49,134,783 at June 30, 2006 and 2005, respectively. All Commercial Paper held was short-term and rated in accordance with the Trust Agreement. The investments in U.S. Government Agency Securities all carried the highest rating by Moody's and Standard & Poor's. All remaining investments were in U.S. Government Securities, which carry no credit risk.

Investments in derivatives are prohibited by the Policy.

Investments in Excess of 5%

The following issuers have investments at fair value in excess of 5% of the investment portfolio at June 30, 2006:

Federal Home Loan Mortgage Corporation	\$68,692,166	33%
Federal National Mortgage Association	77,417,837	37%
Northwest Natural Gas Company	10,930,079	5%
BNP Paribas	10,610,458	5%

Investment Commitments

The Authority has made no investment commitments as of June 30, 2006.

Note D - Accounts Receivable

Balances in accounts receivable were as follows at June 30,:

	<u>2006</u>	<u>2005</u>
Concessions - The Authority leases space along the Delaware Turnpike for concessionaires. Rental income is based upon monthly sales and is due the following month.	\$ 190,060	\$ 194,128
Railway tolls	750,000	750,000
E-ZPass revenues	<u>1,602,634</u>	<u>927,138</u>
	<u>\$2,542,694</u>	<u>\$1,871,266</u>

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note E - Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Infrastructure	\$879,501,689	\$ 4,001,544	\$ -	\$ 883,503,233
Land	107,102,800	14,241,614	-	121,344,414
	<u>\$986,604,489</u>	<u>\$18,243,158</u>	<u>\$ -</u>	<u>\$1,004,847,647</u>
Capital assets being depreciated				
Buildings	\$ 7,683,385	\$ -	\$ -	\$ 7,683,385
Land improvements	163,924	-	-	163,924
	<u>7,847,309</u>	<u>-</u>	<u>-</u>	<u>7,847,309</u>
Less: accumulated depreciation for buildings and land improvements	<u>2,341,609</u>	<u>192,045</u>	<u>-</u>	<u>2,533,654</u>
Total capital assets being depreciated, net	<u>\$ 5,505,700</u>	<u>\$ (192,045)</u>	<u>\$ -</u>	<u>\$ 5,313,655</u>

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Infrastructure	\$876,041,266	\$3,460,423	\$ -	\$879,501,689
Land	102,442,981	4,659,819	-	107,102,800
	<u>\$978,484,247</u>	<u>\$8,120,242</u>	<u>\$ -</u>	<u>\$986,604,489</u>
Capital assets being depreciated				
Buildings	\$ 7,683,385	\$ -	\$ -	\$ 7,683,385
Land improvements	163,924	-	-	163,924
	<u>7,847,309</u>	<u>-</u>	<u>-</u>	<u>7,847,309</u>
Less: accumulated depreciation for buildings and land improvements	<u>2,149,564</u>	<u>192,045</u>	<u>-</u>	<u>2,341,609</u>
Total capital assets being depreciated, net	<u>\$ 5,697,745</u>	<u>\$ (192,045)</u>	<u>\$ -</u>	<u>\$ 5,505,700</u>

Depreciation expense was \$192,045 for fiscal years 2006 and 2005.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note F - Loans Receivable

During fiscal year 2002, the Authority loaned \$27,500,000 to Diamond State Port Corporation. The funds were loaned at an interest rate of 4.6%. Originally, the loan was to be repaid in 40 semi-annual payments of \$1,058,920, with the final payment to be made in January 2023. The loan was subsequently restructured effective July 1, 2004. Unpaid interest through January 1, 2005, in the amount of \$1,911,372, was capitalized into the loan balance and the payments were deferred until July 1, 2005. Effective July 1, 2005, the loan was again restructured. Additional unpaid interest through January 1, 2006, in the amount of \$1,386,641, was capitalized into the loan balance and the payments were deferred until July 1, 2006. At June 30, 2006, the loan is to be repaid in 40 semi-annual payments of \$1,168,031, commencing on July 1, 2006, with the final payment to be made January 1, 2026. The interest rate on the restructured loan remains at 4.6%. At June 30, 2006 and 2005, the outstanding loan balance was \$30,333,593 and \$28,984,952, respectively (see Note W).

During fiscal year 2005, the Authority advanced the Department \$1,786,325 to pay future E-ZPass operating expenses. The loan balance is reduced as actual expenses are incurred. There were no advances during fiscal year 2006. The loan balance at June 30, 2006 and 2005 was \$-0- and \$678,419, respectively.

During fiscal year 2005, the Department reached a settlement agreement with CSX Transportation, Inc. (CSX), in which CSX agreed to fund a portion of the costs of reconstruction of certain railway bridges in the City of Wilmington, Delaware. The settlement was for \$6,000,000, and has been recorded as a loan receivable and deferred revenue in the accompanying balance sheets. Payments are received in 10 semi-annual installments of \$666,387, including interest at 3.91%. Revenue is recorded as actual expenses are incurred. Revenue recorded for the year ended June 30, 2006 was \$959,774. There was no revenue recorded for the year ended June 30, 2005. The Department has requested federal assistance with these projects. To the extent such federal assistance is received, the loan balance may be reduced in future periods by 75% of the total federal assistance received, in accordance with the settlement agreement. The loan balance at June 30, 2006 and 2005 was \$4,891,091 and \$6,000,000, respectively.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note G - Note Payable

On May 6, 2005, the Authority issued a \$40,000,000 note to PNC Bank, Delaware. Proceeds of the note were for the purpose of providing interim financing for the Department's capital program in anticipation of the issuance of long-term bonds to provide permanent financing for the capital program. Interest on the note was 2.92% for the period from May 6, 2005 to (but excluding) August 3, 2005, and was adjusted each business day thereafter to a variable rate based on LIBOR [(LIBOR + 25 basis points) (.65 + 68 basis points)]. Interest was calculated on the basis of a 360-day year comprised of twelve 30-day months. The note, together with all interest accrued, was paid on December 1, 2005. The balance outstanding on the note at June 30, 2005 was \$40,000,000.

Note H - Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable					
Revenue bonds	\$861,710,000	\$150,000,000	\$(58,445,000)	\$ 953,265,000	\$61,370,000
General obligation bonds	4,830,764	-	(582,693)	4,248,071	812,259
Bond issue premium, net of accumulated amortization	29,782,525	8,417,842	(7,305,512)	30,894,855	6,814,934
Claims and judgments	11,325,229	-	(94,460)	11,230,769	-
Compensated absences	<u>297,961</u>	<u>97,860</u>	<u>-</u>	<u>395,821</u>	<u>61,033</u>
Long-term liabilities	<u>\$907,946,479</u>	<u>\$158,515,702</u>	<u>\$(66,427,665)</u>	<u>\$1,000,034,516</u>	<u>\$69,058,226</u>

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note H - Changes in Long-Term Liabilities (Continued)

Long-term liability activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable					
Revenue bonds	\$815,505,000	\$167,550,000	\$(121,345,000)	\$861,710,000	\$58,445,000
General obligation bonds	5,182,728	-	(351,964)	4,830,764	582,693
Bond issue premium, net of accumulated amortization	29,382,368	9,223,338	(8,823,181)	29,782,525	6,713,456
Claims and judgments	11,083,932	241,297	-	11,325,229	-
Compensated absences	<u>279,238</u>	<u>18,723</u>	<u>-</u>	<u>297,961</u>	<u>100,409</u>
Long-term liabilities	<u>\$861,433,266</u>	<u>\$177,033,358</u>	<u>\$(130,520,145)</u>	<u>\$907,946,479</u>	<u>\$65,841,557</u>

The Authority is responsible for liquidating all long-term liabilities.

Note I - General Obligation Bonds Outstanding

General obligation bonds outstanding at June 30, 2006 and 2005 are detailed as follows:

<u>Sale #</u>	<u>Description and Interest Rates</u>	<u>Maturity Date (Fiscal Year)</u>	<u>Balance Outstanding</u>	
			<u>June 30, 2006</u>	<u>June 30, 2005</u>
194	GO 2005B, 5.00%	2024	\$1,018,125	\$1,103,836
191	GO + Refunding 2004A, 3.00-6.00%	2024	120,131	135,148
188	GO Refunding 2003B, 4.00-5.00%	2012	2,609,865	2,898,980
185	GO + Refunding 2002A, 4.00-5.25%	2023	369,950	422,800
177	GO 1997A, 5.00%	2007	<u>130,000</u>	<u>270,000</u>
	Totals		4,248,071	4,830,764
	Less: current portion		<u>812,259</u>	<u>582,693</u>
	Long-term portion		<u>\$3,435,812</u>	<u>\$4,248,071</u>

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note I - General Obligation Bonds Outstanding (Continued)

The general obligation bonds are direct obligations of the State of Delaware and are secured by the full faith and credit of the State. Only that portion of the bonds attributable to the Trust Fund have been reflected in these financial statements.

The annual requirement to amortize all general obligation bonds payable as of June 30, 2006 was as follows:

<u>Year Ending June 30,</u>	<u>Principal Maturity</u>	<u>Interest Maturity</u>	<u>Total</u>
2007	\$ 812,259	\$189,564	\$1,001,823
2008	599,955	152,630	752,585
2009	676,105	120,200	796,305
2010	655,588	86,522	742,110
2011	663,331	56,194	719,525
2012 - 2015	<u>840,833</u>	<u>62,787</u>	<u>903,620</u>
	<u>\$4,248,071</u>	<u>\$667,897</u>	<u>\$4,915,968</u>

Note J - Revenue Bonds Outstanding

Revenue bonds outstanding at June 30, 2006 and 2005 are detailed as follows:

<u>Date of Issue/Maturity</u>	<u>Amount of Original Issue</u>	<u>Description and Interest Rates</u>	<u>Balance Outstanding</u>	
			<u>June 30, 2006</u>	<u>June 30, 2005</u>
SENIOR BONDS				
1997/2017	\$120,640,000	Transportation System Senior Revenue Bonds, 1997 Series, 5.00-6.00%	\$ 49,930,000	\$ 60,090,000
1998/2016	60,560,000	Transportation System Senior Revenue Bonds, 1998 Series, 4.25-5.50%	52,190,000	52,385,000
2000/2020	83,995,000	Transportation System Senior Revenue Bonds, 2000 Series, 5.50%	17,720,000	20,770,000
2001/2021	85,000,000	Transportation System Senior Revenue Bonds, 2001 Series, 4.50-5.00%	50,795,000	53,815,000

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note J - Revenue Bonds Outstanding (Continued)

<u>Date of Issue/Maturity</u>	<u>Amount of Original Issue</u>	<u>Description and Interest Rates</u>	<u>Balance Outstanding</u>	
			<u>June 30, 2006</u>	<u>June 30, 2005</u>
2002/2008	\$ 43,015,000	Transportation System Senior Revenue Bonds, 2002 Series, 5.00%	\$ 27,765,000	\$ 39,905,000
2002/2022	173,680,000	Transportation System Senior Revenue Bonds, 2002 Series B, 4.00-5.25%	146,615,000	153,100,000
2003/2023	277,210,000	Transportation System Senior Revenue Bonds, 2003 Series, 4.50-5.00%	247,685,000	256,575,000
2004/2024	167,550,000	Transportation System Senior Revenue Bonds, 2004 Series, 3.00-5.00%	164,200,000	167,550,000
2005/2025	150,000,000	Transportation System Senior Revenue Bonds, 2005 Series, 4.00-5.00%	150,000,000	-
JUNIOR BONDS				
1993/2005	\$ 33,605,000	Transportation System Junior Revenue Bonds, 1993 Series, 5.00%	-	10,260,000
2002/2009	48,120,000	Transportation System Junior Revenue Bonds, 2002 Series, 4.375-5.00%	<u>46,365,000</u>	<u>47,260,000</u>
		Totals	953,265,000	861,710,000
		Less: current portion	<u>61,370,000</u>	<u>58,445,000</u>
		Long-term portion	<u>\$891,895,000</u>	<u>\$803,265,000</u>

The Transportation System Revenue Bonds have fixed interest rates and are limited obligations of the Authority secured only by the pledged revenues of the Authority. The pledged revenues of the Authority were as follows at June 30,:

	<u>2006</u>	<u>2005</u>
Pledged operating revenues	\$326,826,259	\$294,800,531
Investment income	<u>10,523,310</u>	<u>6,019,636</u>
	<u>\$337,349,569</u>	<u>\$300,820,167</u>

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note J - Revenue Bonds Outstanding (Continued)

The revenue bonds do not constitute a debt of the State or of any political subdivision thereof, or a pledge of the general taxing power or the faith and credit of the State of Delaware or of any such political subdivision.

The Authority had a total of \$75,219,525 and \$95,219,525 in authorized but unissued revenue bonds at June 30, 2006 and 2005, respectively, to fund a portion of the Department of Transportation Capital Improvement Program.

The annual requirement to amortize all revenue bonds payable as of June 30, 2006 was as follows:

<u>Year Ending June 30,</u>	<u>Principal Maturity</u>	<u>Interest Maturity</u>	<u>Total</u>
2007	\$ 61,370,000	\$ 45,534,197	\$ 106,904,197
2008	64,980,000	41,768,563	106,748,563
2009	68,820,000	38,419,575	107,239,575
2010	71,585,000	34,917,844	106,502,844
2011	60,065,000	31,613,545	91,678,545
2012 - 2016	285,355,000	114,066,547	399,421,547
2017 - 2021	221,130,000	52,766,128	273,896,128
2022 - 2026	<u>119,960,000</u>	<u>11,526,025</u>	<u>131,486,025</u>
	<u>\$953,265,000</u>	<u>\$370,612,424</u>	<u>\$1,323,877,424</u>

On October 20, 2004, the Trust Fund issued \$167,550,000 of Transportation System Senior Revenue Bonds, 2004 Series, of which \$67,425,000 was for an advance refunding of the following Transportation System Senior Revenue Bonds:

1997 Series	\$34,280,000
2000 Series	4,115,000
2001 Series	4,245,000
2002B Series	8,870,000
2003 Series	<u>15,915,000</u>
	<u>\$67,425,000</u>

The refunding was undertaken to reduce the total future debt service payments. The transaction resulted in an economic gain of \$3,305,552 and a reduction of \$4,462,624 in future debt service payments.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note K - Debt Defeasance

The Authority has defeased various bond issues by creating separate irrevocable trust funds. New debt had been issued and the proceeds had been used to purchase U.S. Government Securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased, and therefore, removed as a liability. As of June 30, 2006 and 2005, the amount of defeased debt outstanding amounted to \$146,485,000 and \$151,760,000, respectively.

Note L - Designated Net Assets

For operations, unrestricted net assets designated by management were as follows at June 30,:

	<u>2006</u>	<u>2005</u>
DTC Transit Fund		
Unexpended appropriations authorized by the State Budget Bills were carried forward as a designated net asset. For the years ended June 30, 2006 and 2005, the DTC Transit Fund expended authorized appropriations amounting to \$60,082,914 and \$56,297,116, respectively. The remaining totals of budgeted appropriations to be paid in future periods are:	\$5,758,370	\$ 5,777,107
Other Transportation Funds		
Authorized appropriations to fund State highway administration, planning, operating costs, and Expressways Operations/Toll Administration operations for the years ended June 30, 2006 and 2005 were \$134,776,608 and \$130,683,921, respectively. Unexpended appropriations have been designated for approved expenses and are classified as designated net assets in the amounts of:	<u>2,194,952</u>	<u>7,168,796</u>
Total designated net assets	<u>\$7,953,322</u>	<u>\$12,945,903</u>

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note M - Restricted Net Assets

Restricted net assets were as follows at June 30,:

	<u>2006</u>	<u>2005</u>
Debt Service Funds		
Amounts generated from operations required by the Trust Agreement to be provided to meet current principal and interest payments	\$ 85,195,257	\$ 79,472,718
Debt Reserve Funds		
Amounts generated from operations required by the Trust Agreement to be provided as a reserve for future principal and interest payments	47,092,470	40,881,296
Delaware State Infrastructure Bank		
See Note T	<u>8,547,909</u>	<u>8,261,981</u>
Total restricted net assets	<u>\$140,835,636</u>	<u>\$128,615,995</u>

Note N - Electronic Toll Collection

During fiscal year 1996, Expressways Operations/Toll Administration entered into a regional electronic toll collection system consortium (the Consortium). The Consortium includes an agreement among member jurisdictions to share in the potential revenues and costs associated with the construction, financing, and operations of an electronic toll collection customer service center (CSC). The CSC collected tolls and violation fees from motorists in each member jurisdiction and remitted to each jurisdiction their share of tolls collected based upon actual road usage. The Consortium also leased fiber optic transmission lines to the public, which was to generate rental income to the CSC. The rental income and violation fees were expected to exceed the costs associated with operating the CSC.

In order to fund operations, the Consortium issued \$150,000,000 in fixed rate and \$150,000,000 in variable rate bonds to be repaid in 2008. In the event that the CSC generated costs in excess of revenues during its planned ten-year operating term, each member jurisdiction was obligated to finance their share of this operating deficit under the terms of a True-Up Agreement that each member jurisdiction has signed. The Department is obligated for 4% or \$12,000,000.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note N - Electronic Toll Collection (Continued)

Each year the Consortium performed a True-Up Study that showed with each year a lessened ability of the CSC to pay the debt.

On March 25, 2003, the Department withdrew from the Consortium that was governing the E-ZPass operation jointly with three agencies from other states. As of that date, the Department began operating its E-ZPass system independent of the Consortium. Per the terms of the settlement agreement, the Trust Fund received approximately \$7.6 million during fiscal year 2003 to cover various transition costs. The New Jersey Turnpike Authority, acting as lead agency for the Consortium, also completed the remaining work on Delaware's portion of the fiber optic network at no cost to the Department. The value of this work was an additional \$1 million. These amounts were initially recorded as deferred revenue and vendor retainage payable and were recorded as income and expenses when incurred. For the years ended June 30, 2006 and 2005, amounts recognized in income related to E-ZPass transition costs were \$366,419 and \$2,665,572, respectively. Deferred revenues remaining at June 30, 2006 and 2005 were \$-0- and \$366,419, respectively.

As part of the separation agreement, the Department agreed to pay principal on the bonds for their share of the debt of \$12,000,000, which is due in March 2008. The discounted amounts of \$11,230,769 and \$11,325,229 appear as claims and judgments in the accompanying balance sheets at June 30, 2006 and 2005, respectively. Recognition of the adjustment to this liability increases net assets at June 30, 2006 by \$94,460 and reduces net assets at June 30, 2005 by \$241,297. To accumulate funds for future payment of this contingency, the Authority is earmarking funds within its operating budget.

Note O - International Registration Plan

The Department participates in the International Registration Plan (IRP) pursuant to Section 4008 of the Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991. ISTEA requires jurisdictions to join base state agreements for the collection and distribution of commercial vehicle registration fees. IRP is an agreement among member jurisdictions whereby commercial registration fees are collected and reallocated based on a proration of miles traveled in each jurisdiction.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note O - International Registration Plan (Continued)

Revenue in the amount of \$7,973,800 and \$9,336,927, respectively, was collected, and the amounts distributed to other jurisdictions were \$1,116,917 and \$1,127,359, respectively, during fiscal years 2006 and 2005. IRP fees were included in motor vehicle registration fee revenue at the net amount.

Note P - International Fuel Tax Agreement

The Department of Transportation participates in the International Fuel Tax Agreement (IFTA). IFTA is an agreement among member jurisdictions whereby commercial licenses are collected and reallocated based on a proration of miles traveled in each jurisdiction. Revenue in the amount of \$6,167,231 and \$5,304,638, respectively, was collected, and the amounts distributed to other jurisdictions were \$2,542,917 and \$1,050,750, respectively, during fiscal years 2006 and 2005. IFTA revenue is recorded at the net amount.

Note Q - Retirement Benefits

Essentially all full-time Expressways Operations/Toll Administration employees are covered under the State of Delaware Defined Benefit Pension Plan (the Pension Plan), which is administered by the Office of Pension and Investments. The Pension Plan is contributory, and employees contribute 3% of the portion of their monthly compensation that exceeds \$6,000 per calendar year. Contributions by the Expressways Operations/Toll Administration are based on percentages of total employee compensation as specified by the Office of Pension and Investments.

In addition to the Pension Plan contribution disclosed above, the Trust Fund makes contributions to finance the costs of Post Retirement Increases (PRI) and Retiree Health Insurance (RHI). PRI are granted by the General Assembly to members retired under the State Employees' Plan. The funding mechanism allows the State to appropriate actuarially determined employer contributions to a separate PRI fund administered by the Pension Board. When the Legislature grants an ad hoc increase, the actuarial impact of the increase is funded over five years.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note Q - Retirement Plan (Continued)

The State also provides post-employment health care benefits, in accordance with State statute, to all employees who retire after meeting certain eligibility requirements. The expenses for this benefit are recognized as retirees report claims.

The following trend information for the current and preceding two years was as follows as of June 30:

<u>Fiscal Year</u>	<u>Annual Retirement Expense</u>	<u>Pension Plan</u>	<u>Employer Contribution Rate</u>		
			<u>PRI</u>	<u>RHC</u>	<u>Total</u>
2006	\$570,474	6.12%	2.60%	6.30%	15.02%
2005	486,508	4.91%	2.43%	5.91%	13.25%
2004	392,618	4.20%	1.45%	5.91%	11.56%

The State does not maintain the Pension Plan information by agency, and therefore, the Expressways Operations/Toll Administration's portion of the Pension Plan's net assets available for benefits, percentage of annual pension cost contributed, and the actuarial present value of vested and nonvested accumulated plan benefits is not readily determinable.

Detailed information concerning the State of Delaware "State Employees Pension Plan" is presented in its publicly available annual basic financial statements, which can be obtained by writing the State Board of Pension Trustees and Office of Pensions, McArdle Building, Suite #1, 860 Silver Lake Boulevard, Dover, DE 19904-2402.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note R - Transfers from the State General Fund

The State's General Assembly and the State's Division of Revenue transferred the following amounts from the State's General Fund to the Trust Fund during the years ended June 30,:

	<u>2006</u>	<u>2005</u>
Amounts transferred to the Revenue Fund:		
Division of Revenue, Motor Vehicle Dealer/ Lessor License and Document Fees	\$ 2,541,690	\$ 2,548,989
Amounts transferred to the Trust Fund:		
Supplemental appropriation from fiscal year Bond Bill	82,869,600	10,000,000
Division of Motor Vehicles	2,826,300	2,766,500
Port of Wilmington improvements and expansion	-	15,000,000
Green infrastructure program	-	22,100,000
Glenville disaster recovery	-	15,000,000
	<u>\$88,237,590</u>	<u>\$67,415,489</u>

Note S - Related Party Transactions

Per the terms of the Trust Agreement, the Trust Fund is responsible for reimbursing the State for the Department's operating and maintenance expenses paid out of the State's General Fund. Total reimbursements for the years ended June 30, 2006 and 2005 were \$408,806,086 and \$462,737,581, respectively. These amounts are included under the caption "Expenses in accordance with Trust Agreement" in the accompanying statements of revenues, expenses, and change in net assets.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note T - Delaware State Infrastructure Bank

In 1998, the Authority entered into a cooperative agreement with the Federal Highway Administration (FHWA) to establish and provide for the administration of the Delaware State Infrastructure Bank (SIB), in accordance with the National Highway System Designation Act of 1995 and State enabling legislation. The SIB was funded with a \$4.8 million grant from the FHWA. The Authority was required to provide 25% matching funds (\$1.2 million) from the Trust Fund. The total \$6 million amount is required to be maintained in a separate Highway Account within the Trust Fund.

The SIB will loan funds to help transportation project sponsors pay for highway, transit, and rail improvements, or provide credit assistance that makes it affordable for sponsors to borrow money from other sources. The funds will be repaid and used to make new loans.

The funds were advanced to the Trust Fund from SIB as a loan. The Trust Fund is scheduled to repay SIB over six years, paying \$585,348 twice a year. The loan is being repaid with interest at 5%. The loan was repaid during 2006. At June 30, 2005, the balance due from the Trust Fund was \$569,333. The payments on the loan are treated as interfund transfers, and are eliminated for financial statement presentation purposes. The elimination has no net effect on the financial statements.

Note U - Commitments and Contingencies

The Authority had contractual commitments of \$889,455 for construction of various highway projects at June 30, 2006. Current and future appropriations will fund these commitments as work is performed.

Note V - Risk Management

The Authority is exposed to various risks of loss related to workers' compensation, healthcare, automobile, and casualty claims. The Authority is a participant in the State of Delaware's Risk Management Program, which covers all claim settlements and judgments out of its General Fund. The Authority pays premiums to the General Fund for this coverage.

**Delaware Transportation Authority
Transportation Trust Fund**

Notes to Financial Statements (Continued)

Note W - Subsequent Events

Effective July 1, 2006, the Diamond State Port loan (See Note F) was restructured. Unpaid interest through January 1, 2007, in the amount of \$1,181,392, will be capitalized into the loan balance. The State paid \$10,000,000 towards the principal of the loan on behalf of the Diamond State Port Corporation in August 2006. The remaining principal amount due will be \$21,259,658. The interest rate on the restructured loan will remain at 4.6%. The loan is to be repaid in four semi-annual payments of \$500,000, commencing on March 31, 2007, and 40 semi-annual payments of \$808,798, commencing on March 31, 2009, with the final payment to be made on May 31, 2028.

The Diamond State Port Corporation will only be able to repay this loan with continued annual support from the general assembly. While funds have not been committed, it is the expectation of management that the required support will be appropriated each year.

Note X - Prior Period Adjustments

The accompanying financial statements for fiscal year 2005 have been restated to correct errors made related to the omission of certain accounts receivable, accounts payable, and general obligation bonds payable.

The net effect of the restatements was to decrease the change in net assets for the year ended June 30, 2005 by \$797,304 and to decrease beginning net assets for effects on periods prior to 2005 by \$28,856,303.

In addition, certain reclassifications were made to the accompanying financial statements for fiscal year 2005. These reclassifications primarily related to restrictions on assets and net assets and the categorization of certain expenses. These reclassifications had no effect on changes in net assets for the year ended 2005.

Required Supplementary Information

**Delaware Transportation Authority
Transportation Trust Fund**

**Supplementary Information for Governments
That Use the Modified Approach for Infrastructure Assets**

<u>Bridge Condition Assessments</u>		<u>Structural Rating Numbers & Percentages for Bridges</u>					
	<u>BCR Condition Rating</u>	<u>2005</u>		<u>2004</u>		<u>2003</u>	
		<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>
Good	6 - 9	105	90.5	102	87.9	104	89.7
Fair	5	8	6.9	11	9.5	10	8.6
Poor	1 - 4	<u>3</u>	<u>2.6</u>	<u>3</u>	<u>2.6</u>	<u>2</u>	<u>1.7</u>
Totals		<u>116</u>	<u>100.0</u>	<u>116</u>	<u>100.0</u>	<u>116</u>	<u>100.0</u>

		<u>Deck Rating Numbers & Percentages for Bridges</u>					
	<u>OPC Condition Rating</u>	<u>2005</u>		<u>2004</u>		<u>2003</u>	
		<u>Square Feet</u>	<u>%</u>	<u>Square Feet</u>	<u>%</u>	<u>Square Feet</u>	<u>%</u>
Good	6 - 9	1,503,191	95.3	1,520,470	96.5	1,510,446	97.0
Fair	5	74,174	4.7	54,351	3.5	46,102	3.0
Poor	1 - 4	-	-	-	-	-	-
Totals		<u>1,577,365</u>	<u>100.0</u>	<u>1,574,821</u>	<u>100.0</u>	<u>1,556,548</u>	<u>100.0</u>

		<u>Centerline Mile Numbers & Percentages for Roadway</u>					
<u>Roadway Condition Assessments</u>	<u>OPC Condition Rating</u>	<u>2005</u>		<u>2004</u>		<u>2003</u>	
		<u>Center-line Mile</u>	<u>%</u>	<u>Center-line Mile</u>	<u>%</u>	<u>Center-line Mile</u>	<u>%</u>
Good	3.0 - 5.0	107.87	89.6	113.16	94.0	95.45	90.3
Fair	2.5 - 3.0	6.06	5.1	2.95	2.5	6.31	6.0
Poor	Below 2.5	<u>6.42</u>	<u>5.3</u>	<u>4.24</u>	<u>3.5</u>	<u>3.88</u>	<u>3.7</u>
Totals		<u>120.35</u>	<u>100.0</u>	<u>120.35</u>	<u>100.0</u>	<u>105.64</u>	<u>100.0</u>

Comparison of Estimated-to-Actual Maintenance / Preservation (in Thousands)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Estimated	<u>\$11,152</u>	<u>\$ 4,531</u>	<u>\$13,839</u>	<u>\$13,119</u>	<u>\$15,345</u>
Actual	<u>\$17,331</u>	<u>\$10,553</u>	<u>\$15,092</u>	<u>\$14,863</u>	<u>\$19,948</u>

The condition of road pavement is measured using the Overall Pavement Condition (OPC) system, which is based on the extent and severity of various pavement distresses that are visually observed. The OPC system uses a measurement scale that is based on a condition index ranging from 0 for poor pavement to 5 for pavement in excellent condition.

**Delaware Transportation Authority
Transportation Trust Fund**

**Supplementary Information for Governments
That Use the Modified Approach for
Infrastructure Assets (Continued)**

The condition of bridges is measured using the “Bridge Condition Rating” (BCR), which is based on the FHWA Coding Guide, “Recording and Coding Guide for the Structure Inventory and Appraisal of the Nation’s Bridges.” The BCR uses a measurement scale that is based on a condition index ranging from 0 to 9, 0 to 4 for substandard bridges and 9 for bridges in perfect condition. For these reporting purposes, substandard bridges were classified as those with a rating of 4 or less. The good or better condition bridges were taken as those with ratings of 6 to 9. A 5 rating is considered fair. The information is taken from past “Bridge Inventory Status” reports.

It is the State’s policy to maintain at least 75% of its highways and bridge systems at a good or better condition level. No more than 10% of bridges and 15% of roads should be in substandard condition. Condition assessments are determined every year for roads and every two years for bridges. Due to the timing of these condition assessments, information for the fiscal year ended June 30, 2006 is not available.

While the condition assessment for the toll roads included in the TTF financial statements have met the State’s policy for condition, the other State roadways have not met the stated condition level. As a result, the State is completing an evaluation of the current condition, funding availability, and capacity of the resources to determine what changes need to be made to the policy. The updated policy, when completed, may also be applied to the roll roads included in the TTF capital assets.

Additional Information

**Delaware Transportation Authority
Transportation Trust Fund**

Balance Sheet in Accordance with Trust Agreement

**June 30, 2006
With Comparative Totals for June 30, 2005**

	Operations	Trust Holdings	Delaware SIB Highway Fund	Debt Reserve	Totals (Memorandum Only)	
					2006	2005 (Restated)
CURRENT ASSETS						
Cash and cash equivalents						
Unrestricted	\$ 2,293,546	\$ 105,917	\$ -	\$ -	\$ 2,399,463	\$ 2,400,920
Restricted	-	-	1,461	40,135	41,596	101,950
Investments - at fair value						
Unrestricted	40,379,379	29,148,256	-	-	69,527,635	58,404,512
Restricted	-	85,195,257	5,621,111	4,969,554	95,785,922	84,444,620
Accrued interest receivable	29,000	753,008	75,922	437,000	1,294,930	800,000
Accounts receivable	1,792,694	750,000	-	-	2,542,694	1,871,266
Loan receivable	-	1,152,692	-	-	1,152,692	1,108,910
Total current assets	44,494,619	117,105,130	5,698,494	5,446,689	172,744,932	149,132,178
NONCURRENT ASSETS						
Capital assets						
Infrastructure and land	-	1,004,847,647	-	-	1,004,847,647	986,604,489
Buildings and land improvements	-	7,847,309	-	-	7,847,309	7,847,309
	-	1,012,694,956	-	-	1,012,694,956	994,451,798
Less: accumulated depreciation	-	2,533,654	-	-	2,533,654	2,341,609
Capital assets	-	1,010,161,302	-	-	1,010,161,302	992,110,189
Investments - at fair value						
Unrestricted	-	666,094	-	-	666,094	6,225,331
Restricted	-	-	2,849,415	41,645,781	44,495,196	43,022,091
Accrued interest receivable	-	697,673	-	-	697,673	591,895
Loans receivable, net of current portion	-	34,071,992	-	-	34,071,992	34,554,461
Total noncurrent assets	-	1,045,597,061	2,849,415	41,645,781	1,090,092,257	1,076,503,967
TOTAL ASSETS	\$ 44,494,619	\$ 1,162,702,191	\$ 8,547,909	\$ 47,092,470	\$ 1,262,837,189	\$ 1,225,636,145

Continued...

**Delaware Transportation Authority
Transportation Trust Fund**

Balance Sheet in Accordance with Trust Agreement (Continued)

**June 30, 2006
With Comparative Totals for June 30, 2005**

	Operations	Trust Holdings	Delaware SIB Highway Fund	Debt Reserve	Totals (Memorandum Only)	
					2006	2005 (Restated)
CURRENT LIABILITIES						
Accounts payable	\$ 16,500,465	\$ 245,877	\$ -	\$ -	\$ 16,746,342	\$ 32,376,095
Accrued payroll payable	254,953	-	-	-	254,953	261,044
Compensated absences payable	61,033	-	-	-	61,033	100,409
Deferred revenues	-	5,040,226	-	-	5,040,226	6,366,419
Note payable	-	-	-	-	-	40,000,000
General obligation bonds payable	-	812,259	-	-	812,259	582,693
Revenue bonds payable	-	61,370,000	-	-	61,370,000	58,445,000
Bond issue premium	-	6,814,934	-	-	6,814,934	6,713,456
Interest payable	-	23,828,878	-	-	23,828,878	21,176,509
Total current liabilities	16,816,451	98,112,174	-	-	114,928,625	166,021,625
NONCURRENT LIABILITIES						
Compensated absences	334,788	-	-	-	334,788	197,552
Claims and judgments	11,230,769	-	-	-	11,230,769	11,325,229
General obligation bonds payable	-	3,435,812	-	-	3,435,812	4,248,071
Revenue bonds payable	-	891,895,000	-	-	891,895,000	803,265,000
Bond issue premium - net of accumulated amortization	-	24,079,921	-	-	24,079,921	23,069,069
Total noncurrent liabilities	11,565,557	919,410,733	-	-	930,976,290	842,104,921
Total liabilities	28,382,008	1,017,522,907	-	-	1,045,904,915	1,008,126,546
NET ASSETS						
Invested in capital assets - net of related debt	-	32,033,115	-	-	32,033,115	55,786,900
Unrestricted	16,112,611	27,950,912	-	-	44,063,523	33,106,704
Restricted	-	85,195,257	8,547,909	47,092,470	140,835,636	128,615,995
Total net assets	16,112,611	145,179,284	8,547,909	47,092,470	216,932,274	217,509,599
TOTAL LIABILITIES AND NET ASSETS	\$ 44,494,619	\$ 1,162,702,191	\$ 8,547,909	\$ 47,092,470	\$ 1,262,837,189	\$ 1,225,636,145

**Delaware Transportation Authority
Transportation Trust Fund**

**Statement of Revenues, Expenses, and
Change in Net Assets in Accordance with Trust Agreement**

**For the Year Ended June 30, 2006
With Comparative Totals for the Year Ended June 30, 2005**

					Totals (Memorandum Only)	
	Operations	Trust Holdings	Delaware SIB Highway Fund	Debt Reserve	2006	2005 (Restated)
OPERATING REVENUES						
Pledged revenue						
Turnpike revenue	\$ 87,696,331	\$ -	\$ -	\$ -	\$ 87,696,331	\$ 60,703,200
Motor fuel tax revenue	120,090,448	-	-	-	120,090,448	113,663,312
Motor vehicle document fee revenue	64,842,559	-	-	-	64,842,559	65,700,234
Motor vehicle registration fee revenue	30,238,168	-	-	-	30,238,168	30,188,939
Other motor vehicle revenue	20,334,439	-	-	-	20,334,439	20,290,958
International Fuel Tax Agreement revenue	3,624,314	-	-	-	3,624,314	4,253,888
Total pledged revenue	326,826,259	-	-	-	326,826,259	294,800,531
Toll revenue - Delaware SR-1	31,524,365	-	-	-	31,524,365	30,161,375
Property management revenue	-	427,159	-	-	427,159	173,854
E-ZPass expense reimbursements	-	366,419	-	-	366,419	2,665,572
Railway tolls	-	1,502,375	-	-	1,502,375	1,134,881
Miscellaneous revenue	-	4,530,608	-	-	4,530,608	1,721,728
Total operating revenues	358,350,624	6,826,561	-	-	365,177,185	330,657,941
OPERATING EXPENSES						
Expressways Operations/Toll Administration and interstate operating expenses	17,440,223	-	-	-	17,440,223	14,255,321
Claims and judgments	-	-	-	-	-	241,297
Expenses in accordance with Trust Agreement						
Capital improvements to transportation system	-	242,412,450	-	-	242,412,450	282,597,408
Delaware Department of Transportation operations	107,560,265	-	-	-	107,560,265	123,843,057
Delaware Transit Corporation operations	58,833,371	-	-	-	58,833,371	56,297,116
Depreciation	-	192,045	-	-	192,045	192,045
Total operating expenses	183,833,859	242,604,495	-	-	426,438,354	477,426,244

Continued...

**Delaware Transportation Authority
Transportation Trust Fund**

**Statement of Revenues, Expenses, and
Change in Net Assets in Accordance with Trust Agreement (Continued)**

**For the Year Ended June 30, 2006
With Comparative Totals for the Year Ended June 30, 2005**

	Operations	Trust Holdings	Delaware SIB Highway Fund	Debt Reserve	Totals (Memorandum Only)	
					2006	2005 (Restated)
OPERATING INCOME (LOSS)	\$ 174,516,765	\$ (235,777,934)	\$ -	\$ -	\$ (61,261,169)	\$ (146,768,303)
NONOPERATING REVENUES (EXPENSES)						
Pledged revenue - income from investments (net of fees)	2,191,647	6,269,750	289,708	1,772,205	10,523,310	6,019,636
Net increase (decrease) in the fair value of investments	-	193,998	(3,780)	(1,144,472)	(954,254)	156,843
Interest income	-	223,866	-	-	223,866	-
Interest expense	-	(37,346,668)	-	-	(37,346,668)	(37,958,755)
Total nonoperating revenues (expenses)	2,191,647	(30,659,054)	285,928	627,733	(27,553,746)	(31,782,276)
INCOME (LOSS) BEFORE TRANSFERS	176,708,412	(266,436,988)	285,928	627,733	(88,814,915)	(178,550,579)
Transfer from State General Fund	2,541,690	85,695,900	-	-	88,237,590	67,415,489
Transfer in of funds in accordance with Trust Agreement	205,071,305	617,509,601	-	7,300,917	829,881,823	712,150,460
Transfer out of funds in accordance with Trust Agreement	(370,482,044)	(457,682,303)	-	(1,717,476)	(829,881,823)	(712,150,460)
CHANGE IN NET ASSETS	13,839,363	(20,913,790)	285,928	6,211,174	(577,325)	(111,135,090)
TOTAL NET ASSETS - BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	2,273,248	166,093,074	8,261,981	40,881,296	217,509,599	357,500,992
PRIOR PERIOD ADJUSTMENT	-	-	-	-	-	(28,856,303)
TOTAL NET ASSETS - BEGINNING OF YEAR, AS RESTATED	2,273,248	166,093,074	8,261,981	40,881,296	217,509,599	328,644,689
TOTAL NET ASSETS - END OF YEAR	\$ 16,112,611	\$ 145,179,284	\$ 8,547,909	\$ 47,092,470	\$ 216,932,274	\$ 217,509,599

**Delaware Transportation Authority
Transportation Trust Fund**

Statement of Cash Flows in Accordance with Trust Agreement

**For the Year Ended June 30, 2006
With Comparative Totals for the Year Ended June 30, 2005**

	Operations	Trust Holdings	Delaware SIB Highway Fund	Debt Reserve	Totals (Memorandum Only)	
					2006	2005 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 357,584,736	\$ 5,500,368	\$ -	\$ -	\$ 363,085,104	\$ 327,399,923
Payments to employees	(6,894,415)	-	-	-	(6,894,415)	(6,458,952)
Payments to suppliers	(191,758,624)	(243,131,254)	-	-	(434,889,878)	(470,840,473)
Net cash flows provided by (used in) operating activities	158,931,697	(237,630,886)	-	-	(78,699,189)	(149,899,502)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers from State General Fund	2,541,690	85,695,900	-	-	88,237,590	67,415,489
Net transfers of funds in accordance with Trust Agreement	(165,410,739)	159,827,298	-	5,583,441	-	-
Net cash flows provided by (used in) noncapital financing activities	(162,869,049)	245,523,198	-	5,583,441	88,237,590	67,415,489
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Payments of revenue bond principal	-	(58,445,000)	-	-	(58,445,000)	(53,920,000)
Payment to escrow agent for refunding of revenue bonds	-	-	-	-	-	(67,425,000)
Payments of principal on debt reserve loan	-	(569,333)	569,333	-	-	-
Proceeds from revenue bond sale	-	150,000,000	-	-	150,000,000	167,550,000
Payments of general obligation bond principal	-	(582,693)	-	-	(582,693)	(351,964)
Proceeds from issuance of note	-	-	-	-	-	40,000,000
Payment of note principal	-	(40,000,000)	-	-	(40,000,000)	-
Repayment from Delaware Department of Transportation	-	678,419	-	-	678,419	879,247
Premium from revenue bond sale	-	8,417,842	-	-	8,417,842	9,223,338
Acquisition of capital assets	-	(18,243,158)	-	-	(18,243,158)	(8,120,242)
Payments of interest	-	(41,999,811)	-	-	(41,999,811)	(45,843,499)
Net cash flows provided by (used in) capital and related financing activities	-	(743,734)	569,333	-	(174,401)	41,991,880

Continued...

**Delaware Transportation Authority
Transportation Trust Fund**

Statement of Cash Flows in Accordance with Trust Agreement (Continued)

**For the Year Ended June 30, 2006
With Comparative Totals for the Year Ended June 30, 2005**

	Operations	Trust Holdings	Delaware SIB Highway Fund	Debt Reserve	Totals (Memorandum Only)	
					2006	2005 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of investments	\$ 1,640,027	\$ -	\$ -	\$ -	\$ 1,640,027	\$ 41,192,327
Repayment on loan receivable	-	1,108,909	-	-	1,108,909	-
Purchase of investments	-	(12,732,455)	(837,291)	(7,402,828)	(20,972,574)	(4,844,885)
Interest received	2,210,647	4,560,189	266,786	1,760,205	8,797,827	4,897,112
	<u>3,850,674</u>	<u>(7,063,357)</u>	<u>(570,505)</u>	<u>(5,642,623)</u>	<u>(9,425,811)</u>	<u>41,244,554</u>
Net cash flows provided by (used in) investing activities						
	(86,678)	85,221	(1,172)	(59,182)	(61,811)	752,421
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,380,224</u>	<u>20,696</u>	<u>2,633</u>	<u>99,317</u>	<u>2,502,870</u>	<u>1,750,449</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,293,546</u>	<u>\$ 105,917</u>	<u>\$ 1,461</u>	<u>\$ 40,135</u>	<u>\$ 2,441,059</u>	<u>\$ 2,502,870</u>
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Net operating income (loss)	\$ 174,516,765	\$ (235,777,934)	\$ -	\$ -	\$ (61,261,169)	\$ (146,768,303)
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities						
Depreciation and retirements of property and equipment	-	192,045	-	-	192,045	192,045
Changes in assets and liabilities						
Increase in accounts receivable	(671,428)	-	-	-	(671,428)	(592,446)
Decrease in accounts payable	(14,910,949)	(718,804)	-	-	(15,629,753)	(359,901)
Increase in accrued payroll and related expenses	91,769	-	-	-	91,769	53,378
Decrease in deferred revenue	-	(1,326,193)	-	-	(1,326,193)	(2,665,572)
Increase (decrease) in other accrued expenses	(94,460)	-	-	-	(94,460)	241,297
	<u>\$ 158,931,697</u>	<u>\$ (237,630,886)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (78,699,189)</u>	<u>\$ (149,899,502)</u>
Net cash provided by (used in) operating activities						

Continued...

**Delaware Transportation Authority
Transportation Trust Fund**

Statement of Cash Flows in Accordance with Trust Agreement (Continued)

**For the Year Ended June 30, 2006
With Comparative Totals for the Year Ended June 30, 2005**

	Operations	Trust Holdings	Delaware SIB Highway Fund	Debt Reserve	Totals (Memorandum Only)	
					2006	2005 (Restated)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES						
Interest capitalized on Diamond State Port Corporation loan	\$ -	\$ 1,348,641	\$ -	\$ -	\$ 1,348,641	\$ 1,911,372
Loan receivable from CSX Settlement Agreement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,000,000

**Delaware Transportation Authority
Transportation Trust Fund**

Schedule of Revenue Bonds Outstanding

June 30, 2006

Principal	Senior									Total Senior Bond Series
	1997 Series	1998 Series	2000 Series	2001 Series	2002 Series	2002 SER B Series	2003 Series	2004 Series	2005 Series	
FY07	\$ 3,455,000	\$ 205,000	\$ 3,200,000	\$ 3,170,000	\$ 16,460,000	\$ 6,835,000	\$ 12,725,000	\$ 3,495,000	\$ 1,000,000	\$ 50,545,000
FY08	3,665,000	3,215,000	3,360,000	3,330,000	5,515,000	7,200,000	22,760,000	3,635,000	1,000,000	53,680,000
FY09	3,885,000	7,450,000	3,535,000	3,495,000	5,790,000	3,640,000	23,890,000	3,810,000	1,500,000	56,995,000
FY10	8,390,000	3,550,000	3,715,000	3,670,000	-	3,825,000	25,100,000	3,930,000	6,990,000	59,170,000
FY11	8,820,000	3,710,000	3,910,000	3,855,000	-	4,030,000	26,350,000	4,125,000	5,265,000	60,065,000
FY12	5,050,000	3,885,000	-	4,045,000	-	4,240,000	15,620,000	12,285,000	15,365,000	60,490,000
FY13	5,300,000	4,060,000	-	-	-	8,675,000	16,405,000	12,810,000	12,345,000	59,595,000
FY14	5,560,000	-	-	-	-	9,200,000	17,225,000	13,240,000	12,220,000	57,445,000
FY15	5,805,000	-	-	-	-	14,080,000	18,090,000	9,620,000	7,580,000	55,175,000
FY16	-	12,770,000	-	-	-	9,985,000	-	22,025,000	7,870,000	52,650,000
FY17	-	13,345,000	-	5,175,000	-	10,300,000	-	18,450,000	2,795,000	50,065,000
FY18	-	-	-	5,405,000	-	10,790,000	8,560,000	10,955,000	11,505,000	47,215,000
FY19	-	-	-	-	-	16,805,000	8,985,000	5,755,000	12,765,000	44,310,000
FY20	-	-	-	5,935,000	-	11,865,000	9,435,000	6,000,000	8,105,000	41,340,000
FY21	-	-	-	6,210,000	-	12,445,000	9,905,000	6,255,000	3,385,000	38,200,000
FY22	-	-	-	6,505,000	-	6,205,000	10,405,000	6,520,000	4,680,000	34,315,000
FY23	-	-	-	-	-	6,495,000	10,870,000	6,805,000	6,025,000	30,195,000
FY24	-	-	-	-	-	-	11,360,000	7,090,000	6,135,000	24,585,000
FY25	-	-	-	-	-	-	-	7,395,000	11,625,000	19,020,000
FY26	-	-	-	-	-	-	-	-	11,845,000	11,845,000
	<u>\$ 49,930,000</u>	<u>\$ 52,190,000</u>	<u>\$ 17,720,000</u>	<u>\$ 50,795,000</u>	<u>\$ 27,765,000</u>	<u>\$ 146,615,000</u>	<u>\$ 247,685,000</u>	<u>\$ 164,200,000</u>	<u>\$ 150,000,000</u>	<u>\$ 906,900,000</u>

Junior 2002 Series	Total Junior Bond Series	Totals
\$ 10,825,000	\$ 10,825,000	\$ 61,370,000
11,300,000	11,300,000	64,980,000
11,825,000	11,825,000	68,820,000
12,415,000	12,415,000	71,585,000
-	-	60,065,000
-	-	60,490,000
-	-	59,595,000
-	-	57,445,000
-	-	55,175,000
-	-	52,650,000
-	-	50,065,000
-	-	47,215,000
-	-	44,310,000
-	-	41,340,000
-	-	38,200,000
-	-	34,315,000
-	-	30,195,000
-	-	24,585,000
-	-	19,020,000
-	-	11,845,000
<u>\$ 46,365,000</u>	<u>\$ 46,365,000</u>	<u>\$ 953,265,000</u>

**Delaware Transportation Authority
Transportation Trust Fund**

**Statements of Operating Revenues and Expenses -
Expressways Operations/Toll Administration**

For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u> (Restated)
TOLL REVENUES - DELAWARE TURNPIKE	\$ 84,129,639	\$ 57,701,403
TOLL REVENUES - DELAWARE SR-1	31,524,365	30,161,375
	115,654,004	87,862,778
ADD - TOLL VARIANCE AND VIOLATIONS	528,799	157,264
	116,182,803	88,020,042
 SERVICE AREA RENTALS		
Marriott restaurants	1,698,669	1,634,478
Service stations		
Exxon	716,963	695,007
Mobil	283,269	261,808
	2,698,901	2,591,293
 OTHER TURNPIKE REVENUES	338,992	253,240
 TOTAL TURNPIKE REVENUES	119,220,696	90,864,575
 DELAWARE TURNPIKE EXPENSES		
Personnel	2,949,998	2,811,378
Utilities	128,563	116,687
Contracted services	582,102	586,706
	3,660,663	3,514,771
 TOLL ADMINISTRATION EXPENSES		
Personnel	848,150	678,681
Capital outlay and travel	186,702	156,589
Utilities	63,362	58,597
Contracted services	8,506,729	5,915,075
	9,604,943	6,808,942
 DELAWARE SR-1 EXPENSES		
Personnel	3,096,267	2,968,893
Utilities	228,313	224,546
Contracted services	850,037	738,169
	4,174,617	3,931,608
 TOTAL EXPENSES	17,440,223	14,255,321
 EXCESS OF REVENUES OVER EXPENSES	\$ 101,780,473	\$ 76,609,254

**Delaware Transportation Authority
Transportation Trust Fund**

**Schedules of Expenditures Compared to Budget -
Expressways Operations/Toll Administration**

For the Years Ended June 30, 2006 and 2005

	2006			2005 (Restated)		
	Budget	Actual*	Variance	Budget	Actual*	Variance
DELAWARE TURNPIKE EXPENDITURES						
Personnel	\$ 2,918,400	\$ 2,911,540	\$ 6,860	\$ 2,800,500	\$ 2,750,972	\$ 49,528
Utilities	124,800	124,800	-	124,800	124,800	-
Contracted services	598,500	598,475	25	598,500	597,924	576
	<u>3,641,700</u>	<u>3,634,815</u>	<u>6,885</u>	<u>3,523,800</u>	<u>3,473,696</u>	<u>50,104</u>
TOLL ADMINISTRATION EXPENDITURES						
Personnel	841,300	832,334	8,966	766,600	731,176	35,424
Capital outlay and travel	117,000	113,007	3,993	117,000	99,241	17,759
Utilities	61,000	61,000	-	61,000	61,000	-
Contracted services	9,275,000	9,273,816	1,184	6,476,100	6,475,558	542
	<u>10,294,300</u>	<u>10,280,157</u>	<u>14,143</u>	<u>7,420,700</u>	<u>7,366,975</u>	<u>53,725</u>
DELAWARE SR-1 EXPENDITURES						
Personnel	3,080,700	3,058,773	21,927	2,952,000	2,923,426	28,574
Utilities	309,400	309,400	-	309,400	300,176	9,224
Contracted services	821,100	820,973	127	821,100	815,338	5,762
	<u>4,211,200</u>	<u>4,189,146</u>	<u>22,054</u>	<u>4,082,500</u>	<u>4,038,940</u>	<u>43,560</u>
TOTAL EXPENDITURES	<u><u>\$ 18,147,200</u></u>	<u><u>\$ 18,104,118</u></u>	<u><u>\$ 43,082</u></u>	<u><u>\$ 15,027,000</u></u>	<u><u>\$ 14,879,611</u></u>	<u><u>\$ 147,389</u></u>

*Includes purchase orders outstanding at June 30.

**Delaware Transportation Authority
Transportation Trust Fund**

Schedule of Revenue Bond Coverage

June 30, 2006

Oversight responsibility for the issuance of debt by the State and its authorities is centralized under the Secretary of Finance. The following table sets forth certain indebtedness of the Authority. Further information for the Authority may be found in the notes to financial statements, changes in long-term liabilities and bonds outstanding.

(in Thousands)

Fiscal Year	Gross Pledged Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
1997	\$ 240,006	\$ 26,945	\$ 40,119	\$ 67,064	3.58
1998	252,966	31,585	30,176	61,761	4.10
1999	268,650	33,300	32,718	66,018	4.07
2000	292,201	35,330	30,809	66,139	4.42
2001	293,026	35,315	37,537	72,852	4.02
2002	303,794	39,565	35,269	74,834	4.06
2003	302,754	41,490	44,957	86,447	3.50
2004	308,091	47,640	38,176	85,816	3.59
2005	300,820	53,920	39,370	93,290	3.22
2006	337,350	58,445	40,573	99,018	3.41